

tory of the country for the years prior to the crisis of 1890 was the story of unduly expanded credit, discounting too rapidly the possibilities of the future, which was witnessed in the United States in 1837 and 1857^{anc^} more recently in Australia. The oldest bank of the Argentine Republic was the Bank of the Province of Buenos Ayres, which was founded as a private bank in 1822, but was purchased by the State in 1826 from the proceeds of an English loan. It was authorized as a state bank to issue circulating notes redeemable in silver. The issues were excessive and had depreciated in 1868 to a value of four cents on the dollar. The bank was then authorized to convert the notes into a new issue and continued in operation until 1891. The Bank of the Nation *{Banco de la Nacion}* was created by the Act of November 5, 1872, limiting the circulation to double the paid-up capital and requiring a cash reserve of at least one-fourth of the outstanding notes. The government subscribed for \$2,000,000 of the capital stock, which was fixed at \$5,000,000.¹ The bank was given continuance for twenty years and its notes were legal tender.

The banking system which was established in 1887, and which broke down so completely in 1890, was peculiar in the fact that the circulating notes purported to combine the double guarantee of metallic coverture, so dear to the fram-ers of the English Act of 1844, and the coverture by means of evidences of the public debt, which is the basis of the national banking system of the United States. But the gold was borrowed, the issue of evidences of the public debt went beyond legitimate currency requirements and the guarantees proved of no avail against inflation, depreciation, and resulting insolvency. The Bank of the Nation was reorganized under the Guaranteed Banking Act of November 3, 1887. This Act authorized the issue of notes by any provincial bank which complied with the requirement of a deposit of government bonds. A special issue of four and a half per cent, gold bonds was authorized by the general

¹ The Argentine monetary unit was the peso (\$.965).